



**MKHONDO
LOCAL MUNICIPALITY**

**DRAFT ANNUAL REPORT
2011/2012
FINANCIAL YEAR**

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Submitted by:

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ACRONYMS AND ABBREVIATIONS

MFMA	- Municipal Finance Management Act
MM	- Municipal Manager
SEDA	- Enterprise Development Agency
DEDET	- Department of Economic Development Environment and Tourism
CRDP	- Comprehensive Rural Development Programme
MSIG	- Municipal System Improvement Grant
DoRA	- Division of Revenue Act
MIG	- Municipal Infrastructure Grant
FMG	- Finance Management Grant
PMU	- Project Management Unit
IDP	- Integrated Development Plan
SCM	- Supply Chain Management
CFO	- Chief Financial Officer
GM	- General Manager
PMS	- Performance Management System
MMC	- Members of Mayoral Committee
SDBIP	- Service Delivery and Budget Implementation Plan
RDP	- Reconstruction and Development Program
HR	- Human Resources
DBSA	- Development Bank of South Africa
CPIX	- Consumer Price Index
SALGA	- South African Local Government Association
COGTA	- Co-Operative Governance and Traditional Affairs
GRAP	- General Recognized Accounting Practice

CHAPTER 1:

1 INTRODUCTION AND OVERVIEW

1.1 EXECUTIVE MAYOR'S FOREWORD

Armed with the key performance beacons contained in the IDP and Budget of 2012/13, Mkhondo Municipality continues its path that is meant to address the needs of the community by creating an enabling environment for employment opportunities, alleviation of poverty, improvement of health conditions, upgrading of infrastructure and advancement of comprehensive rural development. A year has gone pass and we are pleased to reflect back on remarkable substantial impact our Municipality has made. This also presents an opportunity for us to conduct self-introspection of our challenges that still abound us and subsequently chart measures on how they can be overcome.

The May 2011 election of new political leadership, appointment of Section 56s and establishment of the Section 79 & 80 Committees strengthen the quality of decision-making processes at the levels of both political and administrative accountability and financial management within the organisation. The continuous interaction with all newly-established Ward Committees and strengthening of the working relations amongst all stakeholders has enhanced service delivery and active public participation of respective communities.

We have in the past year broadened our infrastructure development programmes by constructing new roads, distributing water and electricity, constructing new houses and sewer network and improved in rendering of refuse removal services, to name but a few. We acknowledge that this has happened within the limited budget for maintenance and refurbishment of existing and new infrastructure.

Surrounded by the magnificent mountains of timber, Mkhondo remains an ideal place to pursue maximum investment on timber processing that can broaden the revenue base of the Municipality. We pledge to improve and enhance service delivery in all key development priority areas. Working together with communities, spheres of government, private sector, civil society structures and other stakeholders we have achieved much, but there is still more to be done. Together we strive to make Mkhondo a unique living experience, aiming towards a better quality of life based on a safer and healthier environment with an improved socio-economic conditions.

We remain focusing on our efforts in ensuring that, through our appropriate monitoring systems in place, the performance plan of our administration, SDBIPs as well as infrastructure development is heightened. We are aware that performance is critical when you build to the last. Hence, we are committed to increase our productivity at the working place and stay in control of both political and administrative mandate. It is our hope that the Municipality will move from strength to strength and become the theatre of planning and the master of coordination and implementation.

_____ / _____ / _____

CLR BHEKABANTU H. MTSHALI

EXECUTIVE MAYOR

1.2 FOREWORD BY THE MUNICIPAL MANAGER

The 2011/12 financial year started immediately after the fourth democratic local government elections which were held on 18 May 2011. The elections marked the beginning of the new era for Mkhondo municipality after the previous era which was marred by, inter alia, the provincial intervention in the administration of the municipality. Although the provincial administration was lifted in January 2011 the municipality started the 2011/12 financial year with the scars of the provincial administration. As the year started the municipality had to struggle between ensuring administrative stability to ensuring seamless service delivery to the citizens.

All the positions of section 56 managers were vacant. Some positions of staff in the lower positions were also vacant. The municipality prioritized the filling of top management positions. This led to the filling of the Municipal Manager's post by October 2011, the filling General Managers: Corporate and Technical Services by February 2012 and the filling of the General Managers: Community and Financial Services by May 2012. This meant that all Top Management positions were filled before the end of the financial year. The correct placement on people into positions was also concluded in December 2012. Most vacant positions were advertised although the recruitment process was still work in progress by the end of the financial year.

On service delivery, the municipality ensured that basic services were delivered as planned during the year. The IDP and the Budget were adopted before the start of the year. The Service Delivery and Budget Implementation Plan was also subsequently approved. Service delivery proceeded as planned in the SDBIP and quarterly reports were submitted to council to report the achievements of the municipality. All political structures were established and given administrative assistance to carry out their responsibilities.

The community of Mkhondo also played their constitutional role in the development of the municipality by heeding the call to participate in all our consultative meetings. These ranged from IDP and Budget consultative meetings to Mayoral Izimbizo. Our appreciation goes to the entire Mkhondo Municipal Council and Administration, as well as the entire community for their contribution in making the year a success.

1.3 EXECUTIVE SUMMARY

The purpose of the document is to report on the annual performance of the Municipality in compliance with section 46 of the Municipal Systems Act 2000, Act 32 of 2000 (MSA), as well as section 121 of the Municipal Finance Management Act 2003, Act 56 of 2003 (MFMA). The report has been compiled to form part of the Annual Report since it does not contain the Annual Performance Report, in line with section 121(2)(b) and (c) of the MFMA.

1.3.1 VISION

A community-driven, tranquil and model municipality of excellence

1.3.2 MISSION

We are committed to deliver quality and sustainable services that will enhance a healthy, economically viable, and better life for all.

1.3.3 CORE VALUES

The activities of the municipality are underpinned by the following core values:

Honesty; Openness; Punctuality; Excellence

1.3.4 INTEGRATED DEVELOPMENT PLAN (IDP)

Mkhondo Municipality had its IDP approved before implementation on 01 July 2011. The municipality therefore has to develop an annual report with a view to provide a comprehensive account of the activities undertaken during this particular financial year.

The IDP is one of the most important and strategic planning documents of the municipality. It is a five year plan, reviewed annually, which determines the strategic direction and vision of council.

1.3.5 BUDGET FOR 2011/12 FINANCIAL YEAR

The Council approved and adopted the following budget resolutions in terms of section 24 of the Municipal Financial Management Act;

- Operational Budget
- Capital Budget
- Annual tariffs list
- Budget related policies

The following budget principles and guidelines directly informed the compilation of the 2011/12 MTREF:

- The 2010/11 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2011/12 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act

Operating Revenue Framework

In view of the aforementioned, the following table is a consolidated overview of the proposed 2011/12 Medium-term Revenue and Expenditure Framework:

Consolidated Overview of the 2011/12 MTREF

Consolidated MTREF Budget	Adjustment Budget 2010/11	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Total Operating Revenue	211 610 630	307 992 456	343 613 401	375 129 842
Total Operating Expenditure	211 608 172	289 404 184	317 160 200	346 052 320
(Surplus)/Deficit for the year	(2 458)	(18 588 271)	(26 453 201)	(29 077 522)
Total Capital Expenditure	42 841 600	84 287 000	98 121 800	105 366 730

Total operating revenue for 2011/12 financial year is R308million, when compared to the 2010/11 Adjustments Budget of R212million. For the two outer years, operational revenue will increase by 11.73 and 9.33 per cent respectively. Total operating expenditure for the 2011/12 financial year has been appropriated at R289million and translates into a budgeted surplus of R18.5million. When compared to the 2010/11 Adjustments Budget, operational expenditure has grown by 37 per cent in the 2011/12 budget and by 9.69 and 9.15 per cent for each of the respective outer years of the MTREF. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R84.3million for 2011/12 is 49.2 per cent higher when compared to the 2010/11 Adjustment Budget.

Operating Expenditure Framework

Mkhondo Local Municipality's operating expenditure framework for the 2011/12 budget and MTREF is informed by the following:

- The SALGA's employee remuneration and other related contributions as well as the repairs and maintenance;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the Integrated Development Plan of the municipality;
- Operational gains and efficiencies will be directed to funding the own capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

Underneath Table highlights the Operating Budget summary for 2011/12 as well as the 2012/13 MTREF.

MP303 Mkhondo - Table Budget Summary

Description R thousands	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Financial Performance										
Property rates	11,257	9,031	13,223	14,646	13,127	14,953	7,476	15,367	16,135	16,942
Service charges	43,771	60,717	80,231	93,780	96,826	91,820	45,910	108,581	114,008	119,711
Investment revenue	–	3,986	2,299	1,329	1,500	101	51	1,650	1,733	1,819
Transfers recognised - operational	–	130,609	91,395	91,030	91,243	122,997	61,498	103,141	103,439	108,611
Other own revenue	74,014	10,102	39,397	23,616	32,002	22,222	11,111	33,043	38,177	39,997
Total Revenue (excluding capital transfers and contributions)	129,043	214,445	226,544	224,400	234,698	252,093	126,046	261,782	273,492	287,080
Employee costs	41,688	55,147	56,270	68,963	63,094	65,966	32,983	82,722	86,708	91,047
Remuneration of councillors	6,707	6,583	6,865	9,414	9,785	8,612	4,306	9,796	10,286	10,801
Depreciation & asset impairment	–	–	10	–	–	–	–	–	–	–
Finance charges	–	1,926	1,608	1,400	900	1,800	900	945	992	1,042
Materials and bulk purchases	28,684	31,880	50,417	64,550	75,000	73,311	36,655	76,375	80,194	84,203
Transfers and grants	–	4,715	7,671	16,009	16,009	5,237	2,619	16,361	17,179	18,038
Other expenditure	53,953	55,000	50,130	64,038	67,356	45,872	22,936	75,553	79,216	82,913
Total Expenditure	131,033	155,251	172,972	224,374	232,144	200,798	100,399	261,752	274,576	288,044
Surplus/(Deficit)	(1,990)	59,194	53,572	25	2,555	51,295	25,647	30	(1,084)	(964)
Transfers recognised - capital	–	–	–	71,703	82,133	31,965	15,982	59,081	64,989	71,488
Contributions recognised - capital & contributed assets	–	–	–	23,000	25,030	–	–	24,000	26,540	31,494
Surplus/(Deficit) after capital transfers & contributions	(1,990)	59,194	53,572	94,728	109,718	83,260	41,630	83,111	90,445	102,018
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(1,990)	59,194	53,572	94,728	109,718	83,260	41,630	83,111	90,445	102,018
Capital expenditure & funds sources										
Capital expenditure	–	–	–	84,287	84,443	33,868	16,934	96,747	106,562	119,518
Transfers recognised - capital	–	–	–	71,703	82,133	31,965	15,982	83,081	91,529	102,982
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	12,584	2,310	1,904	952	13,666	15,032	16,536
Total sources of capital funds	–	–	–	84,287	84,443	33,868	16,934	96,747	106,561	119,518

Financial position	-	44,682	76,886	-	-	-	-	79,629	87,593	96,352
Total current assets	-	471,060	508,308	-	-	-	-	628,093	687,183	718,973
Total non current assets	-	45,039	56,855	-	-	-	-	58,277	64,105	70,516
Total current liabilities	-	7,907	11,994	-	-	-	-	5,598	4,758	3,997
Total non current liabilities	-	462,796	516,345	-	-	-	-	567,980	624,777	687,255
Cash flows										
Net cash from (used) operating	-	35,338	69,334	70,928	82,888	83,260	41,630	81,131	88,367	99,835
Net cash from (used) investing	-	(41,189)	(37,259)	(84,287)	(84,443)	-	-	(19,134)	(24,907)	(66,625)
Net cash from (used) financing	-	(3,315)	(909)	-	-	-	-	4,638	5,103	5,613
Cash/cash equivalents at the year end	3,830	(5,336)	25,830	(13,359)	(1,555)	83,260	41,630	100,328	168,891	207,714
Cash backing/surplus reconciliation										
Cash and investments available	-	(5,358)	25,785	-	-	-	-	103,398	110,019	84,093
Application of cash and investments	-	11,701	(1,263)	-	-	-	-	35,422	35,245	1,842
Balance - surplus (shortfall)	-	(17,060)	27,047	-	-	-	-	67,976	74,773	82,251
Asset management										
Asset register summary (WDV)	-	69,808	69,899	-	-	-	550,480	550,480	605,527	666,080
Depreciation & asset impairment	-	-	10	-	-	-	-	-	-	-
Renewal of Existing Assets	67,272	38,040	45,929	-	-	-	-	96,535	106,188	116,808
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-
Free services										
Cost of Free Basic Services provided	967	913	1,046	1,118	1,118	1,279	1,450	1,450	1,537	1,605
Revenue cost of free services provided	259	259	259	266	266	266	279	279	299	303
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Underneath Table depicts the budgeted Capital Expenditure by vote for Mkhondo Municipality.

MP303 Mkhondo - Table Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework			
		R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14
Capital expenditure - Vote												
Multi-year expenditure to be appropriated	2											
Vote 1 - Executive Council		-	-	-	-	-	-	-	-	150	165	182
Vote 2 - Budget & Treasury Office		-	-	-	1,550	200	-	-	-	3,850	4,235	4,659
Vote 3 - Corporate Services		-	-	-	1,293	1,542	1,169	584	390	429	472	
Vote 4 - Planning & Development		-	-	-	-	-	-	-	1,100	1,210	1,331	
Vote 5 - Health		-	-	-	-	-	-	-	-	-	-	
Vote 6 - Community & Social Services		-	-	-	3,520	2,200	-	-	-	-	-	
Vote 7 - Housing		-	-	-	-	-	-	-	-	-	-	
Vote 8 - Public Safety		-	-	-	-	-	-	-	570	627	690	
Vote 9 - Sports & Recreations		-	-	-	-	-	-	-	-	-	-	
Vote 10 - Roads & Technical Services		-	-	-	38,169	40,497	29,596	14,798	14,081	15,630	19,492	
Vote 11 - Waste Management		-	-	-	-	-	-	-	1,600	1,760	1,936	
Vote 12 - Waste Water Management		-	-	-	29,755	20,476	72	36	37,650	41,415	45,557	
Vote 13 - Water		-	-	-	8,000	900	981	-	29,300	32,230	35,453	
Vote 14 - Electricity		-	-	-	2,000	18,628	2,051	1,025	7,786	8,564	9,421	
Vote 15 - Other		-	-	-	-	-	-	-	270	297	327	
Capital multi-year expenditure sub-total	7	-	-	-	84,287	84,443	33,868	16,444	96,747	106,562	119,518	
Single-year expenditure to be appropriated	2											
Vote 1 - Executive Council		-	-	-	-	-	-	-	150	165	182	
Vote 2 - Budget & Treasury Office		-	-	-	1,550	200	-	-	3,850	4,235	4,659	
Vote 3 - Corporate Services		-	-	-	1,293	1,542	1,169	584	390	429	472	
Vote 4 - Planning & Development		-	-	-	-	-	-	-	1,100	1,210	1,331	
Vote 5 - Health		-	-	-	-	-	-	-	-	-	-	
Vote 6 - Community & Social Services		-	-	-	3,520	2,200	-	-	-	-	-	
Vote 7 - Housing		-	-	-	-	-	-	-	-	-	-	
Vote 8 - Public Safety		-	-	-	-	-	-	-	570	627	690	
Vote 9 - Sports & Recreations		-	-	-	-	-	-	-	-	-	-	
Vote 10 - Roads & Technical Services		-	-	-	38,169	40,497	29,596	14,798	14,081	15,489	17,038	
Vote 11 - Waste Management		-	-	-	-	-	-	-	1,600	1,760	1,936	

Vote 12 - Waste Water Management	-	-	-	29,755	20,476	72	36	37,650	41,415	45,557
Vote 13 - Water	-	-	-	8,000	900	981	491	29,300	32,230	35,453
Vote 14 - Electricity	-	-	-	2,000	18,628	2,051	1,025	7,786	8,564	9,421
Vote 15 - Other	-	-	-	-	-	-	-	270	297	327
Capital single-year expenditure sub-total	-	-	-	84,287	84,443	33,868	16,934	96,747	106,421	117,064
Total Capital Expenditure - Vote	-	-	-	168,574	168,886	67,737	33,378	193,494	212,983	236,581
Capital Expenditure - Standard										
Governance and administration	-	-	-	2,843	1,742	1,169	584	4,390	4,829	5,312
Executive and council				-	-	-	-	150	165	182
Budget and treasury office				1,550	200	-	-	3,850	4,235	4,659
Corporate services				1,293	1,542	1,169	584	390	429	472
Community and public safety	-	-	-	3,520	2,200	-	-	570	627	690
Community and social services				3,520	2,200	-	-	-	-	-
Sport and recreation				-	-	-	-	-	-	-
Public safety				-	-	-	-	570	627	690
Housing				-	-	-	-	-	-	-
Health				-	-	-	-	-	-	-
Economic and environmental services	-	-	-	38,169	40,497	29,596	14,798	15,181	16,840	20,823
Planning and development				-	-	-	-	1,100	1,210	1,331
Road transport				38,169	40,497	29,596	14,798	14,081	15,630	19,492
Environmental protection				-	-	-	-	-	-	-
Trading services	-	-	-	39,755	40,003	3,104	1,552	76,336	83,969	92,366
Electricity				2,000	18,628	2,051	1,025	7,786	8,564	9,421
Water				8,000	900	981	491	29,300	32,230	35,453
Waste water management				29,755	20,476	72	36	37,650	41,415	45,557
Waste management				-	-	-	-	1,600	1,760	1,936
Other				-	-	-	-	270	297	327
Total Capital Expenditure - Standard	3	-	-	84,287	84,443	33,868	16,934	96,747	106,562	119,518
Funded by:										
National Government				48,703	48,703	31,965	15,982	59,081	64,989	71,488
Provincial Government				-	-	-	-	-	-	-
District Municipality				23,000	25,030	-	-	24,000	26,540	31,494
Other transfers and grants				-	8,400	-	-	-	-	-
Transfers recognised - capital	4	-	-	71,703	82,133	31,965	15,982	83,081	91,529	102,982
Public contributions & donations	5			-	-	-	-	-	-	-
Borrowing	6			-	-	-	-	-	-	-
Internally generated funds				12,584	2,310	1,904	952	13,666	15,032	16,536
Total Capital Funding	7	-	-	84,287	84,443	33,868	16,934	96,747	106,561	119,518

For 2011/12 an amount of R86.2million has been appropriated towards the capital budget for development of infrastructure within the Mkhondo Local municipality jurisdiction. The highest capital infrastructure budget allocation on waste water management of R39.7million which equates to 46 per cent will address sewer challenges that the municipality is currently facing.

Our municipal road infrastructure is in such a state of collapse, an amount of R29.9million which equates to 35 per cent will be spent on roads infrastructure development and resurfacing some of the impaired roads to improve the lives of our community in Mkhondo.

1.3.6 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

During the financial year under review, the SDBIP was developed and implemented although not all projects were implemented due to budgetary constraints.

1.3.7 PERFORMANCE MANAGEMENT SYSTEM (PMS)

During the reporting period, the municipality employed all section 56 Managers by the fourth quarter of the financial year and performance agreement contracts were signed. Quarterly and monthly performance reports from different municipal departments were prepared and tabled to Council during that period.

1.4 METHODOLOGY FOLLOWED DURING THE COMPIRATION OF THE REPORT

This report reflects deliverables in terms of the departmental projects and programs constituting the service delivery of the municipality. Each department compiled a report on the service rendered during the year. The reports were then put together to compile this annual report.

1.5 MKHONDO PROFILE

1.5.1 SETTLEMENT PATTERN

The Mkhondo Local Municipality is one of seven local municipalities located in the Gert Sibande District Municipality. It is bordered by Pixley Ka Isaka Seme Local Municipality towards west, eDumbe Local Municipality towards south, Phongolo Local Municipality towards southeast, Swaziland towards east, Chief Albert Luthuli Local Municipality towards northeast and Msukaligwa Local Municipality. The seat of the Mkhondo Local Municipality is located in Piet Retief town in the central part of the municipal area.

CHAPTER 2:

2 PERFORMANCE HIGHLIGHTS

The Municipality appointed Mr. A.N. Mahlangu as the Municipal Manager in October 2011. The first and second quarters were therefore still a challenge when it came to project implementation as all the Section 56 Managers position were vacant. The Municipal cash flow was very poor. Our budget was on paper and there was no cash in the bank. However by the end of the financial year all the section 56 managers were appointed thereby improving both cash flow and programme implementation

2.1 OFFICE OF THE EXECUTIVE MAYOR

The Municipal Manager was appointed on the 01 of October 2011.

Interaction with community in the form of IDP and Budget consultation meetings continued well and culminated in the approval of both the IDP and Budget. The Executive Mayor also interacted with the community through izimbizo.

2.2 OFFICE OF THE MUNICIPAL MANAGER

The office of the Municipal Manager continued to coordinate all the departments of the municipality. Council meetings were coordinated according to schedule and all community consultation meetings with regards to IDP and Budget were coordinated. The office also ensured that the municipal administration operated normally.

During the third quarter of the financial year the municipality appointed two (2) Section 56 Managers (General Manager Corporate & Technical Services), and on the fourth quarter appointed Chief Financial Officer and General Manager Community Services

2.3 FINANCIAL SERVICES DEPARTMENT

The administration of the Municipality is headed by the Municipal Manager and divided into four departments, each headed by a General Manager.

The Financial Services department consists of the following sections:

- Budget Control – Preparation of the municipality's annual budget, financial forecasting and preparation of all statutory reports

- Supply Chain Management - is responsible for procurement of goods and services, asset management and management of the supplier database.
- Expenditure – Coordination of accounts payable, payroll, investments, management of grants received and spent as well as the preparation of the annual financial statement as set out on the attached Annual Report.
- Revenue Section – coordinates all municipal revenue structures and the collection of all outstanding revenue due to the municipality.

2.3.1 SUPPLY CHAIN MANAGEMENT AND EXPENDITURE

ACTIVITIES	CHALLENGES	ACHIEVEMENTS
TENDER/ CONTRACT MANAGEMENT	<ul style="list-style-type: none"> • Lack of Communication between bid committees. • Minimal training to bid committees • Specifications submitted do not specify correctly needs required • Committees do not seat on time to evaluate and adjudicate tenders. • Correspondence between committees not at optimum level. 	<ul style="list-style-type: none"> • <i>29 tenders were advertised, 17 tenders awarded, however one of the 29 tenders was re-advertised and awarded thereafter, others were put on hold.</i> • <i>Bid Committees were trained</i> • <i>Tender register has been developed and is maintained regularly.</i>
PROCUREMENT OF GOODS AND SERVICES	<ul style="list-style-type: none"> • End user Departments submit their requisitions late, which give SCM minimal time to act on these requests. • Non adherence to SCM policy by end user Departments. • Unauthorized expenditure • Non-submission of procurement plans by Departments. • End user Departments sourcing their own quotations without SCM's interventions. 	<ul style="list-style-type: none"> • Implementation of SCM policy • Procurement of goods and services was centralized to SCM • Supplier database has been established. • Improved the turnaround time for the procurement of goods and services at least 2 days • Proper procurement procedures developed. • Improved proper documentation and document control. • Deviations reported monthly.
STORES MANAGEMENT	<ul style="list-style-type: none"> • Late submissions of stock replenishment request 	<ul style="list-style-type: none"> • Stocktaking was done at the end of the financial year

	<ul style="list-style-type: none"> • Late capturing of stock issues • No budget on other vote items • Lack of communication between stores section and SCM. 	<ul style="list-style-type: none"> • Price adjustment on stock items were done • All stock issues were captured • Network line installed at Magasyn.
ASSETS MANAGEMENT	<ul style="list-style-type: none"> • Staff move assets without proper authorization • Procurement of Assets without proper protocols followed, • Misallocation on procurements of assets • Non availability of Disposal committee • Theft and loss policy not available • Asset register is not uploaded to Munsoft (Financial system) • There is no custodian/ committee responsible for loss control 	<ul style="list-style-type: none"> • Movable asset were identified • Identified assets were captured on inventory schedules and attached on each and every offices and Municipal properties • Movement of Assets was monitored closely • Compiled Assets Management policy • Asset Register was compiled by appointed consulted, Ditsibi. • Monthly asset additions reported.
CONTRACTS / OPERATING LEASES	<ul style="list-style-type: none"> • No contract and lease registers 	<ul style="list-style-type: none"> • Month to Month contract with Honey Sucking services was developed • Lease schedules maintained. • Copies of contracts for operating leases were obtained from service providers

FLEET MANAGEMENT	<ul style="list-style-type: none"> Drivers and HOD's booked in vehicles for repairs without following SCM procedures Lack of internal controls No log books Accidents are not reported Scrapped vehicles are not updated (still licensing them) Shortage of staff Lack of training on fleet staff. Fleet Management: Abuse of Municipal vehicles is on the high, It has been reported that there is abuse and stealing of Municipal fuel. 	<ul style="list-style-type: none"> Fuel order books were introduced for filling of petrol Minimized irregular expenditure Pumps to be installed at Magasyn for re-fueling of Municipal vehicles.
SEPARATION OF OPEX FUNDS FROM CAPEX FUNDS	<ul style="list-style-type: none"> Utilising of Opex for Capex funds Keeping of capex and opex funds in one account 	<ul style="list-style-type: none"> Ring fenced capital funds from operating funds Adherence to MFMA prescription that of ring fencing MIG funds Monthly reporting on both capital funds and operating funds to finance portfolio committee and MANCO
CREDITOR'S AND SALARY PAYMENTS	<ul style="list-style-type: none"> Loss of credit facility to the Municipality putting pressure on little cash flow available Decentralized procurement causing loss of control and documentation Creditors paid on weekly basis, this is hampering financial viability. Budget Is not aligned and often needs override, Insufficient budget to meet obligations. 	<ul style="list-style-type: none"> Reduce number of legal claims against the Municipality by paying creditors on time. Reviving creditors confidence in the Municipality by paying them Avoiding using current financial year funds to pay previous year liabilities Payment of creditors within 30 days on presentation of invoices Adhere to SCM policy in procurement of goods

		<ul style="list-style-type: none"> Centralized filing
PAYMENT METHOD	<ul style="list-style-type: none"> Cheque payment method which affect reconciliations Free entry into the payment section by creditors 	<ul style="list-style-type: none"> Introduction of EFT payment method for payment of all creditors
RECONCILIATIONS	<ul style="list-style-type: none"> Service providers do not submit monthly statements on time No salary interface with Munsoft and VIP 	<ul style="list-style-type: none"> Bank reconciliations for twelve months were compiled. Vat reconciliation were done and submitted to SARS on time Creditors reconciliation were compiled on monthly basis VIP and Munsoft interface was done manually
VOUCHER CONTROL	<ul style="list-style-type: none"> Officials often take documents without consent from responsible voucher control official 	<ul style="list-style-type: none"> Voucher control room was renovated for safekeeping of vouchers. One dedicated official is responsible for control of payment vouchers.

2.4 TECHNICAL SERVICES DEPARTMENT

2.4.1 PROJECT MANAGEMENT UNIT

The following were budget figures against the list of MIG registered project during 2011/12 financial year:

PROJECT NAME	TOTAL PROJECT COST	2011/12 FY BUDGET
1. BUS AND TAXI ROUTE IN ETHANDAKUKHANYA	R 40 557 000.00	R 8 000 000.00
2. BUS AND TAXI ROUTE IN EKWATHANDEKA	R 27 500 000.00	R 7 000 000.00
3. PROJECT MANAGEMENT UNIT	R 0.00	R 1 948 120.00
4. EXTENSION OF PIET RETIEF SEWER TREATMENT PLANT	R 37 606 169.90	R 14 000 000.00
5. NCONJANENI WATERBORNE SANITATION INFRASTRUCTURE	R 13 979 145.00	R 4 754 880.00
6. INSTALLATION OF WATER RETICULATION IN ETHANDAKUKHANYA EXT 6&8	R 20 056 052.32	R 8 000 000.00
7. INSTALLATION OF HIGH MAST LIGHTS	R 20 528 372.08	R 2 000 000.00
8. INSTALLATION OF VIP TOILETS	R 45 402 274.08	R 1 000 000.00
9. FENCING OF MUNICIPAL INFRASTRUCTURE	R 8 557 966.00	R 2 000 000.00
TOTAL	R 214 186 979.38	R 48 703 000.00

2.4.2 WATER & SANITATION

- Amsterdam: 2,208,250 kl of purified water was pumped to the community of Amsterdam and the surrounding during the financial year 2011/2012.
- Piet Retief: 3,575,540 kl of treated clean water was made available to the community of Piet Retief and the surroundings for consumption during the financial year 2011/2012.
- Driefontein: 2,463,750kl of purified water was supplied to the community of Driefontein and the surroundings during the financial year 2011/2012
- The municipality has four water tankers that supplies water to 75 rural villages. Approximately 37 350kl of drinking water was supplied to the rural villages across Mkhondo areas during the financial year 2011/2012

2.4.3 ROADS & STORMWATER

A total of 372 Kilometers of gravel streets were re-gravelled or graded.

2.4.4 ELECTRICAL

Constant electrical supply was kept all throughout the financial year under review.

2.5 COMMUNITY SERVICES DEPARTMENT

During the 2010/11 financial year standing Timber to the value of R7.5 million which belonged to the municipality was sold.

A clean up campaign led by the Honourable Executive Mayor Cllr BH Mtshali was organized in order to re-establish the nursery at Mkhondo Municipality.

The municipality further provided households within the community with five thousand refuse bags.

2.6 CORPORATE SERVICES DEPARTMENT

2.6.1 ADMINISTRATION

			Annual Target			REASONS FOR DEVIATION	
INSTITUTION AL DEVELOPMENT AND TRANSFMAT ION	To render effective and efficient legal Services	Provision of legal support services to Municipality and its structures	To have efficient legal services functions To reduce Municipal expenditure on legal and Labour matters			More civil claims were received	N/a
	To render an effective and efficient Administration support	THE MUNICIPALITY IS ABLE TO REGULATE MATTERS WITHIN ITS AREA OF JURISDICTION	100% critical By-Laws Promulgated		Not achieved	No budget to promulgate the by-laws and awaiting CoGTA for assistance	
	To render an effective and efficient administration support	streamlined administration functions and promote accountability	100% Critical policies developed			Shortage of personnel	Appoint staff in all critical positions

	To develop a credible Delegation Register for Council	Approved delegation register being implemented	Streamlined administration functions and accountability promoted		50% achieved	Draft was developed	
	To render effective and efficient records Management services	All mail sorted and distributed within one day after receipt	100% adherence to the requirements of NARS Records Management System installed and end users trained		80% achieved	System installed and training conducted. Implementation by users to be monitored in the next financial year.	
	Effective and efficient records management	Correspondence filed according to the new filing plan of the municipality	100% Implementation of the new file plan		20% achieved	Registry office not yet fully compliant with requirements of NARS	

	To render Secretariat services to Council	To have quality and credible agendas for Mayoral and Council meetings	100% well co-ordinated Council secretariat system		09 Mayoral (07 Ordinary and 02 Special) 12 Council (Ordinary 08 and 04 Special) meetings were coordinated as per Council Standing orders	Difficulty in adhering to the approved schedule of meetings.	Adherence to the approved schedule.
	To render Secretariat services to Council	To have proper tracking system of Council resolutions and implementation thereof	Political oversight. Strengthened.			Design and implement proper tracking system.	
	Municipal contract management	Proper management of existing contracts	Effective and efficient contract management		Not all municipal contracts are centrally managed at Corporate Services.		

2.6.2 HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

Key Performance Area (KPA)	Objectives	PA Indicators	Annual Target	Budget Allocation	Progress Against Annual Target (%)	REASONS FOR DEVIATION	Remedial Action (e.g. intervention or technical support)
INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	Provision of Education, Training and Development	Councillors and staff trained	90% of staff and Councillors trained in order to achieve PDP targets. Improved performance of staff and Councillors		40% achieved. 12 training programmes were funded by the Municipality. 6 training programmes were funded by other stakeholders.	Lack of funds	
	Provision of Education, Training and Development	Provision of learnerships and internships in conjunction with various SETAs, government departments and private sector	Youth engaged in learnerships, internships and other capacity building programmes		7 unemployed youth participated in learnerships, 10 unemployed youth participated in the internship programmes .		

	Provision of Education, Training and Development	Training in line with our IDP objectives	Plan developed and submitted to LGSETA by end June 2012 WSP implemented 100%		45% of our WSP was implemented. 12 training programmes were funded by the Municipality and 6 training programmes were funded by other stakeholders.	Funding was channeled to services delivery projects	
	Render Employee well being services	Healthy and loyal workforce	100% Compliance with occupational health and safety statutory requirements		15% Achieved	OHS Officer was appointed but needed training.	
	Render Occupational Health and safety services	Incidents and accidents in the workplace minimized	100% Compliance with occupational health and safety statutory requirements				
	Promote sound Labour Relations within the work place	A healthy and harmonious labour relations within the workplace	Sitting of monthly LLF meetings		100% Achieved		
	HR administration and good governance	Promotion of good corporate governance	100% implementation of HR policies				

	Provision of Recruitment and Selection services	Adequate provision of services to the community	100% of funded vacant posts filled within 2011/2012 financial year		40% Achieved	Insufficient funds	
	HR administration and good governance	Promotion of good corporate governance and HR administration	100% compliance to the SALGBC Collective agreement		80% Achieved		
	To promote the culture of performance excellence and productivity amongst all employees and officials	PMS Policy Reviewed by Council and cascading performance management down to all employees	To improve services excellence in terms of services standards improved service delivery and accountability by senior managers and all employees		0% Achieved	Performance policy not implemented Service Standards not yet adopted by council PMS Officer to be appointed.	Implementation of PMS Policy by council Adoption of Service Standards by Council

2.6.3 INFORMATION COMMUNICATIONS TECHNOLOGY

Key Performance Area (KPA)	Objectives	PA Indicators	Annual Target	Budget Allocation	Progress Against Annual Target (%)	REASONS FOR DEVIATION	Remedial Action (e.g. intervention or technical support)
INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	Render ICT support services	To have effective and efficient ICT system in place	Service provider Appointed and some ICT functions outsourced (e.g. development of the website and ICT infrastructure. to have the municipality's network system, transfer of skills to internal ICT personnel)		90% achieved. Website developed, server installed		
	Render HIV & AIDS support programmes	Well informed and responsible youth with regard to Love Life programme	Change of peoples mindset towards HIV/AIDS issues	R300 000.00		No designated person appointed to perform the function	
	Render disability services	Fully functional structures of people living with disabilities	100% Compliance to statutory requirements with regards to issues of disability		0% Not achieved		

		All Council, Mayoral and Section 79 Committee Meetings recorded and filed as prescribed	100% of all meetings recorded and filed as prescribed		All meetings recorded and filed		
	To manage Council pool car system	Effective and efficient implementation of the pool car procedures and processes	Well managed pool car system		0 %	No designated person appointed to perform the function	Appoint a warm body who perform the function
	Management of departmental budget	Procurement of items budgeted and analyze monthly budget	Well managed departmental budget				
	Rental of equipment machinery	Proper management of the existing contracts	Effective and efficient contract management	R530 000.00			
	Council support services	Council queries and concerns handled timeously and effectively	Well managed Council support		100% achieved		

	Render ICT support services	Service provider Appointed and some ICT functions outsourced (e.g. development of the website and ICT infrastructure. to have the municipality's network system, transfer of skills to internal ICT personnel)	To have effective and efficient ICT system in place	R600 000.00 MSIG		90% achieved. Website developed, server installed	
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3 CHAPTER 3: HR AND OTHER ORGANISATIONAL MANAGEMENT

3.1 GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

3.1.1 ORGANISATIONAL STRUCTURE

The municipality's organizational structure consists of the following four departments under the leadership of the Municipal Manager:

- Technical Services
- Community Services
- Financial Services
- Corporate Services

The Municipal Manager is the accounting officer of the municipality and is responsible for effective and efficient sound financial management of the municipality.

The total number of employees at the Mkhondo municipality under the leadership of the Municipal Manager on the organizational structure is as follows:

Organisational Structure	Positions	Filled	Vacant	Budget	Actual
Community Services	291	181	110	20,565,511	20,167,084
Corporate Services	74	41	33	17,198,725	12,251,985
Financial Services	57	46	11	6,863,709	6,020,076
Technical Services	302	172	131	23,406,578	20,226,177
Councillors	38	38	0	6,969,176	6,865,156
Total	762	482	280	75,003,699	65,530,478

Employee Related Cost

	2011/2012
Actual Salary Expenditure	65,530,478
Actual Total Expenditure	172,972,250
% Salaries visa vi Total Expenditure	34%
Salary budget	75,003,699
Total budget	R221 702 477.

3.2 INSTITUTIONAL DEVELOPMENT & TRANSFORMATION

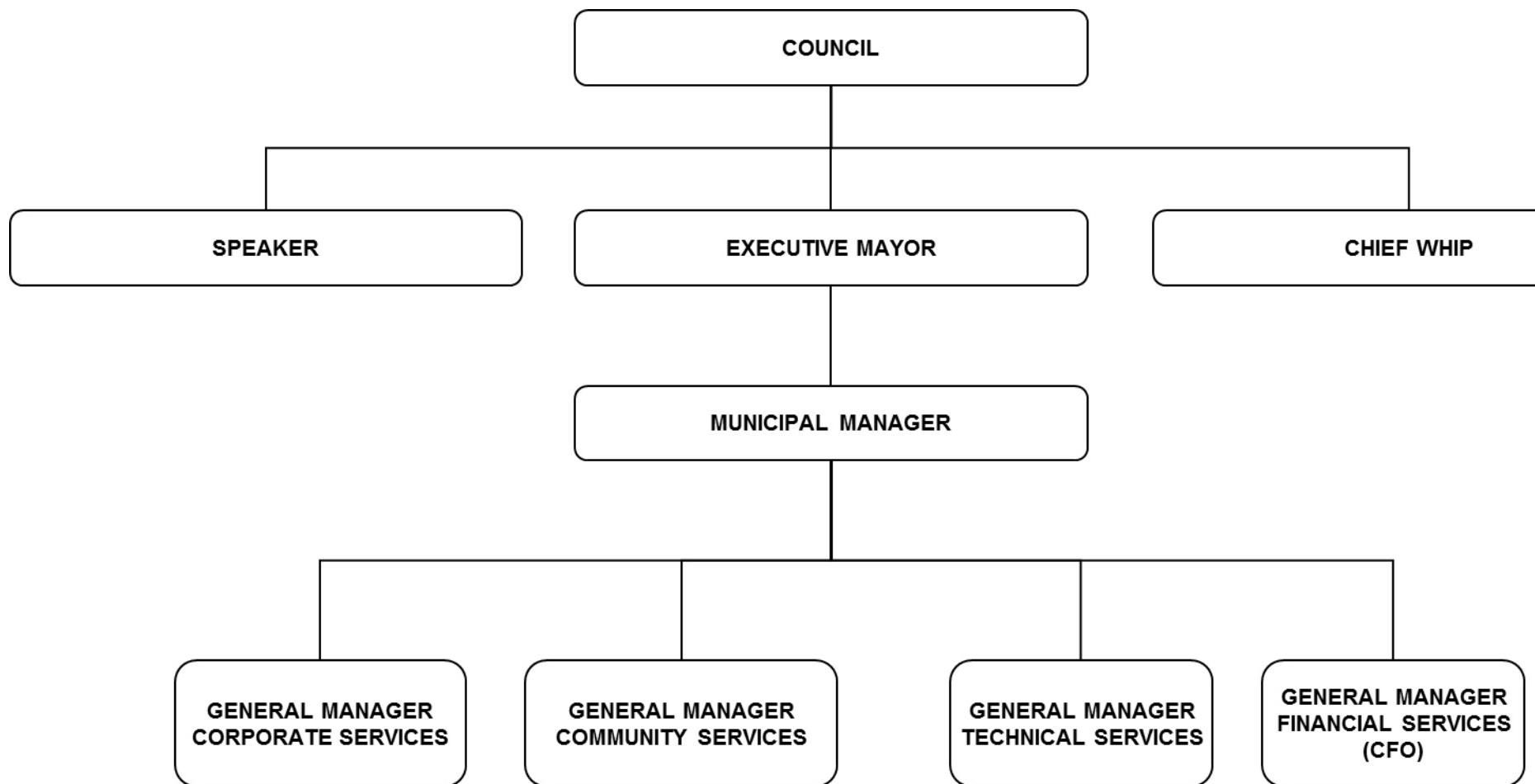
The organizational structure reflects the number of positions that are filled and vacant. Each and every financial year the Municipality reviews the existing structure and identifies critical positions to be filled.

This table indicates the total number of employees at the municipality as at June 2012.

Function Department	No of Staff
Councillors	38
Office of the Municipal Manager	6
Corporate Services	41
Financial Services	46
Technical Services	170
Community Services	181
TOTAL	482

ORGANOGRAM

The organizational arrangement



3.3 SKILLS DEVELOPMENT PROGRESS REPORT

The Workplace Skills Plan for 2011/2012 with Annual Training Report has been submitted to LGSETA as required by Skills Development Act. For the period July 2011 to June 2012 the following training and development programmes were implemented: An amount of **R237 037.00** was budgeted for all the training of Councilors and Employee and **R112 580 was** spent.

TRAINING	DEPARTMENT	NUMBER OF EMPLOYEES	TOTAL COSTS
ABET	Corporate Services, Community Service and Technical Services	36	R227 000.00
Cross Examination and Questioning Techniques Workshop	Corporate Services	2	R7 182.00
MunSoft	Finance Department	3	R28 000.00
Microsoft Certified IT Professional Training Programme	Corporate Services	2	R34 000.00
VIP Training	Corporate Services	2	R3 190.00
Introduction to SAMTRAC	Corporate Services	1	R5 190.00
Trafman Training	License Department	4	R36 708.00
Microsoft Excel Training	Technical Services	2	R5 879.04
Training in Project Management with Microsoft Project	Technical Services	4	R26 440.00
Training in Technical Report Writing	Technical Services	4	R22 000.00
Skills Development Worshop	Corporate Services	1	R1 989.30
Orbit Training	All Departments	41	R94 920.00

TRAINING ACHIEVED FUNDED BY GERT SIBANDE DISTRICT MUNICIPALITY, SALGA & COGTA

Labour Intensive Methods of Construction	Technical Services	7	Funded by Gert Sibande
Portfolio Committee Training	Councilors	32	SALGA

Gap skill	Corporate Services	2	COGTA
Training for Local Labour Forum	All Departments	15	SALGA
IDP Training	Political	2	SALGA
Certificate in Municipal Governance	Political	7	SALGA

3.4 NEW RECRUIT AND PROMOTIONS

3.4.1 RECRUITMENT

108 employees were recruited in the year 2011/2012.

3.4.2 TERMINATIONS

This table reflects the number of employees and reason for terminating.

Reason and Number of staff leaving	
Resignation	9
Deceased	9
Pension	4
Dismissed	0
End Contract	6
Total Terminations	28

3.4.3 INTERNSHIPS

In an effort to provide unemployed graduates with practical experience to make them employable, the municipality employed ten (10) Interns in finance through the Municipal Financial Management Grant (MFG) in 2010/2011, six (6) females and four (4) males. Their contracts expired at the end of February 2012. 4 of the Interns were absorbed through the normal recruitment processes.

3.5 EMPLOYMENT EQUITY PROFILE

In trying to improve the employment equity, the employment equity plan is compiled for a period of one year. All adverts for positions reflect that priority will be given to a particular designated group or people with disability and females. The municipality has the workplace skills plan and the annual training report which assist in the skills development of all councilors and employees.

This table indicates our demographic in the municipality per occupational level:

No. of Municipal Staff employed	Male	Female	Total
Top Management	5	0	5
Senior Management	13	4	17
Professional (Managerial/Specialists)	7	3	10
Field (Supervisory / Foreman)	37	11	48
Office (Clerical / Administrative)	77	46	123
Non professional (outside workforce)	151	80	231
Total Employees	290	144	434

The following are pension funds and medical aids operating within the municipality.

Fund	No. of Staff	Council Contribution
Bonitas	68	60%
Keyhealth	22	60%
Hosmed	11	60%
SAMWUMed	11	60%
MCPF	29	15%
SALA	15	22%
Gratuity Fund	200	22%
MEPF	39	22%
SNPF	42	22%
NFMW	134	22%

3.6 INSTITUTIONAL DEVELOPMENT & TRANSFORMATION

Mkhondo Council comprises of different political parties with the African National Congress being the ruling party. In terms of Section 41 of the Constitution, the administration and political office bearers participate in the various Intergovernmental Relations Structures ranging from GSDM Municipal Managers Forum, Mayor's Forum, Speaker's Forum, Chief Whip Forum, Technical Munmec, Premier Co-ordination Forum to name but a few.

3.6.1 COMMITTEES OF COUNCIL

Attendance of Ordinary Council Meetings

Meetings	Dates	Present	Absent	% attendance
1	17 July 2011	35	08	92%
2	23 Sept 2011	27	11	71%
3	15 Dec 2011	34	04	89%
4	31 Jan 2012	32	06	84%
5	03 March 2012	31	07	82%
6	30 May 2012	32	06	84%

Special Council Meetings

Meetings	Dates	Present	Absent	% Percentage
1	01 Nov 2011	34	04	89%
2	07 Dec 2011	31	07	82%
3	25 Jan 2012	32	06	84%
4	16 March 2012	32	06	84%
5	17 April 2012	30	08	79%

Mayoral Committee

Meetings	Dates	Present	Absent	% Percentage
1		03	00	100%
2		03	00	100%
3		03	00	100%
4.		01	02	33%
5.		03	00	100%
6.		03	00	100%
7.		03	00	100%

Special Mayoral Committee

Meetings	Dates	Present	Absent	% Percentage
1		03	00	100%
2		03	00	100%

3.7 GENERAL INFORMATION

Executive Mayor Councillor B H Mtshali	Grading of the Municipality 03
Speaker Councillor P C Langa	Auditors Auditor- General
Municipal Manager Mr.A.N Mahlangu	Primary Banker First National Bank
Chief Financial Officer Mr. T.D Mabuya	Registered office No 33 Mark Street Civic Centre P O Box 23 Piet Retief 2380 Telephone: (017) 826 8100 Fax:(017) 826 3129

General Managers and Senior Managers

General Manager Technical Services Mr. K.L Mashile	Members of Council Initials & Surname Cllr V D Nkosi	Ward 01
General Manager Community Services Mr. A W Nkonyane	Cllr A T Thwala Cllr NC Ndhlovu	
General Manager Corporate Services Mr. M.J Mkhonza	Cllr NS Kambule Cllr T S Nkosi Cllr SS Mathebula Cllr P S Nhlabathi Cllr J L I Brossow Cllr S P Kunene Cllr N B Msuku Cllr M D Ntuli Cllr Z E Mthimkhulu	
Senior Manager Human Resources Ms L Botha	Cllr L V A Mkhwanazi Cllr S R Sangweni	
Senior Manager ICT Mr D I Mandiwana	Cllr C G Mtshali Cllr Z J Mnisi	
Senior Manager Auxiliary & Secretariat Services Mr M Thabede	Cllr K D Masondo Cllr S J Mngomezulu	
Senior Manager Budget and Reporting Mr K Segooaa	Cllr RJA Wilson Cllr M O Nkosi	
Senior Manager Electrical Mr A Mambane	Cllr JS Methula Cllr M L Yende	
Senior Manager PMU Ms T Phakathi	Cllr M E Phakathi Cllr D M Thwala	
Senior Manager Water and Sanitation Mr M Jele	Cllr B J Vilakazi Cllr N L Nhlelengethwa	
Senior Manager Roads, Stormwater and Cemeteries Mr H Nel	Cllr S C Mtshali Cllr T E Khumalo	
Senior Manager Expenditure Ms Z Q Mbatha		
Senior Manager Revenue Mr E Delport		
Senior Manager Communications and Mayoralties Vacant		
Senior Manager Town planning & Human		

Settlements Vacant Senior Manager IDP/LED & Tourism Vacant Senior Manager Legal Services Ms. W Mahlangu Senior Manager Internal Audit Mr A Ngcobo Senior Manager Solid Waste, Forestry and Parks Mr V Dube Senior Manager Amsterdam and Driefontein Mr S Mngomezulu	Cllr H P Sunkel Cllr T E Motha Cllr V W Masuku Cllr H A Mncube Cllr T G F Nhleko Cllr B T Msuku Cllr S J Nkosi	
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CHAPTER 4:

4 AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

4.1 AUDIT COMMITTEE REPORT

4.1.1 CHAIRPERSON OF THE AUDIT COMMITTEE

ANNUAL REPORT OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2012

4.1.2 INTRODUCTION

The Audit Committee is pleased to present its report for the year ended 30th June, 2011 in terms of its responsibilities and duties as prescribed by the MFMA and the Audit Charter.

4.1.3 AUDIT COMMITTEE MEMBERS AND ATTENDANCE

In terms of the Municipal Finance Management Act (MFMA) and the Mkhondo Local Municipality's Audit Committee Charter, must consist of a minimum of 3 members who must be external independent members. None of the members may be Councilors.

The Audit Committee consists of the members listed hereunder and meets at least 4 times per annum as per its approved Charter. The Audit Committee members were appointed on the 21 February 2011. During the period under review 5 meetings were covered.

Name of member	Number of meetings	Designation/ Office bearer	Appointment date
Mr Sam Mthembu	2	Chairperson	21 February 2011
Mr Norman Weber	2	Member	21 February 2011
Dr LT Nevondwe	1	Member	21 February 2011

1. Audit Committee's Responsibilities

The Audit Committee's responsibilities are outlined in Section 166(2)(b) of the Municipal Finance Management Act (No 56 of 2003). The Audit Committee has adopted appropriate formal Terms of Reference as its Audit Committee Charter to regulate its affairs in compliance with the Charter and to Discharge all its responsibilities contains therein for 2012/13.

A summary of the Audit Committee's responsibilities in terms of the MFMA and its Charter is that it is responsible for, among other things, the following:

- Advise the municipal council, the political office bearers, the accounting officer and the management staff of the municipality on matters relating to
 - a) Internal financial control and internal audits;
 - b) Risk management;
 - c) Accounting policies;
 - d) The adequacy, reliability and accuracy of reporting and information;
 - e) Performance management;
 - f) Effective governance
 - g) Compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
 - h) Performance evaluation; and
 - i) Any other issues referred to it by the municipality
- Review the Annual Financial Statements of the municipality;
- Respond to the council on any issues raised by the Auditor General in the audit report;
- Carry out such investigations into the financial affairs of the municipality as requested by council.

The Audit Committee has been appointed recently and has approved the following policies:

- a) Audit Committee Charter;
- b) Internal Audit Charter;
- c) Fraud Prevention Strategy , inclusive plan, policy, control strategies and procedures for investigations;
- d) Risk management Policy and Framework;
- e) Risk Assessment report; and
- f) Rolling 3 years Strategic Internal Audit Plan for the period ending 30 June 2014 and 1 year operational plan for the period ending 30 June 2012.

The internal Audit Plan will be implemented in the new financial year 2012/14 however during the year under review there was no internal audit function, since it has been established in June 2011.

The performance of the Internal Audit Function will be assessed in the new financial year.

The Effectiveness of Internal Controls

The system of controls is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line

with the MFMA and the King 3 Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes

From the Audit Committee meetings with management and the absence of the municipal General Managers, it was noted with great concerns that significant or material non – compliance with the prescribed policies and procedures has been reported.

Accordingly, we can report that the system of internal control for the period under review was not effective due to the absence of General Managers, none staffing of Internal Audit unit and Performance management systems in the municipality.

Evaluation of the Annual Financial Statements

The Audit Committee has:

- Expressed deepest disappointment about the way the financial statements were prepared and noted that there is poor controls in the municipality
- Expressed great concerns with the existing poor financial systems controls in the municipality

Conclusion

I would like to thank my colleagues for making themselves available to serve on this Committee and for the significant contribution that they are making now and in future.

As Audit Committee, we rely request the Council to fill all the critical positions for the municipality. We will be indebted to them for their efficient service and assistance.

MR S. MTHEMBU

Chairperson of the Audit Committee

4.1.4 BUDGET & FINANCIAL REPORTING: STATUS QUO

The first six months of the financial year 2012/13 was marked by some challenges in reorganising and stabilising the administration after the provincial intervention in terms of section 139 of the constitution. In view of a very strong, dedicated and focused current political leadership, the municipality has now fully appointed section 57 managers.

The municipality has had its strategic planning in the first quarter of the current financial year. Each general manager had presented his/her strategic goals and objectives.

Despite the positive spinoffs the municipality sought, the late closure of the billing system has somehow negatively impacted on the cash-flow position. The statements were sent to customers system late as a result of a mix between staff commitment and the degree of inflexibility of the billing system. The situation was exacerbated by the withholding of the equitable share amounting to R33m by National Treasury, and the matter is still under sub-jucare. In the main, the withholding of the equitable share will certainly have a devastating effect on our operations and the municipality cannot rely on the debt collection to meet its short term obligations such as salaries.

A roll-over application of R22m was submitted to National Treasury but was declined despite the commitments made to several projects and the payment of electricity amounting to R6m. The latter amount was paid on proviso that the GSDM will refund the amount in terms of the signed MOU. The amount was forfeited because it was budgeted by the District in the previous financial years but a request to roll it over was not made by Mkhondo municipality. The CFO to engage the District's CFO to find another way of securing the R6m through an adjustment budget from the District.

Top management resolved that a cost curtailment approach should be implemented immediately in every department in consideration of the cash flow position the municipality is presently experiencing. In order to tighten our belts, all expenditures

on non-core and non-priority activities have been cut. Existing shortfalls on core and priority activities will soon be addressed through the adjustment budget.

Water and electrical losses are still posed on-going challenges. However a water loss reduction and cost recovery strategies will be implemented in due course in 3 phases starting with the 1st phase in the current financial year.

A revenue enhancement strategy document has been completed and is due for implementation. Areas to focus on will be the billing system, debt-book, areas where revenue losses are occurring, revisiting of rates and tariff policies, etc. It is expected that a turnaround strategy on the aforementioned will be a recipe for an anticipated improved revenue base

4.1.4.1 COMPILATION OF THE ANNUAL BUDGET 2012/13

Mkhondo Local Municipality has compiled their 2011/12 annual budget in the new reporting regulations of schedule A with all the relevant supporting tables for additional financial information. Furthermore, the major challenges were the fact that, the compilation for the new budget format was the first compliance of the municipality wherein Provincial Treasury assisted and verified during the budget submission. Going forward the municipality will be able to continue compiling the annual budget in accordance to the new municipal budget and reporting regulations. Compilation of the annual budget consisted of tariffs and amended changes in budget related policies. Tariff calculation was based on the 4.08 percent CPIX plus 2 percent municipal increase to reach 6% on general expenses and estimated revenue on service charges, however electricity was informed by NERSA approved rate on various electricity consumptions.

Cost per head exercise for personnel audit and payroll was effectively conducted and salaries were benchmarked at SALGA's 3-year agreement for CPIX plus 2% bargaining agreement. The total remuneration budget was R77.3million including councilor's remuneration and their allowances.

4.1.4.2 BUDGET AND FINANCIAL REPORTING

Section 71 were compiled and submitted monthly to National Treasury up until the end of October 2013. This is because of the financial system that is currently behind. Currently, November 2013 is being finalized.

4.1.4.3 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

The SDBIP for 2010/11 for Mkhondo Local Municipality was not compiled and tabled in Council 28 days after the approval of the 2010/11 annual budget on the 30th June 2010, due to high vacancy in key positions to drive this process of SDBIP compilation and ownership by section 57 managers. The municipality in essence operated throughout the financial year without SDBIP and subsequently, did not comply with the section 69 of the MFMA. However, speedily appointments of section 57 managers will see drastic turnaround in implementation of service delivery measurable and achieving targets as set by the Municipality.

4.1.4.4 INVESTMENTS AND LOANS

The loan repayment obligation for loan capital with DBSA has been effectively managed in terms of the loans schedules from DBSA. The half yearly loan repayments due every September and March, has been steadily reducing our loan capital from R6.7million in the beginning of the financial year to estimated R5.6million by the end of 30 June 2012.

Although, investment on the other hand, have performed well due to strategic measures in place to invest funds not immediately utilised such the transfers from National Treasury's grants of equitable share and Municipal Infrastructure Grant (MIG), such transfers are deposited in huge amounts of money and gets ring-fenced into call account and corporate maturity investments. In the beginning of the financial year, the municipal investment overall balance was R55million inclusive of all the other different investment portfolios in other major banks and now in this six

months the overall investments balances rose to R77million due to additional R26million and R4.7million from Absa settlement amount totalling to R30million for the month of November 2011.

4.1.4.5 VACANCY IN BUDGET OFFICE

Unfilled post and staff turnover is been a major challenge in the Municipality ranging from a junior clerk to a manager positions. In 2010/11 budget office had serious challenges with absolutely no support of additional staff to manage the entire financial planning and reporting. The Budget and Financial Reporting unit had submitted in the organogram positions to be filled in 2011/12 financial year namely; Senior Clerk Financial Reporting and Senior Clerk Budget Compilation.

Lack of staff in the BFR unit has caused a situation where in non-compliance with MFMA and other pieces of legislation requirements, almost impossible to cope and battling to comply with these legislative requirements for budget and financial reporting.

4.2 MUNICIPAL FINANCIAL VIABILITY

BUDGET PERFORMANCE ANALYSIS

Operating Revenue

The revenue collection amount of R131.3million (55.6 percent) for the first half of the financial year includes the grants allocations already received from National Treasury against the R236.3million total revenue budgeted for the 2011/12 financial year. Therefore, a slight revenue recovery in the projected revenue would be recommended.

Revenue projection on all major trading services is slightly below par as compared to the pro-rata revenue anticipated on month six, which is a worrying indication of continuous non collection of billed services. However, zooming into water collection, a slight improvement of revenue collection just over (60 percent) performance which is the great recovery for the six months. Nevertheless, in other major trading services, this should not be great concern as revenue collection might improve later in the year as the cut-off measure is implemented.

Revenue collected from the conditional grants (MSIG and FMG) have been received in full at the beginning of the financial year, whereas the MIG and the Equitable Share are transferred quarterly and the portion reflected excludes the free basic services as

it is already accounted for in the trading services revenue. National Treasury imposed penalties to a tune of R6 million in July 2011 on equitable share allocation due to poor past performances and non-compliance with the conditions of DoRA on conditional grants such as MIG, FMG and MSIG.

Forestry on the other hand, has received a major boost after tender for harvesting started yielding fruits for the first time in 3 years of forest plantation, an amount of R6.7million was received in August from forest contractors. This trading service going forward will be a cornerstone to see much anticipated revenue boost in future if proposed management and quick decision making is followed. However, the possibility for outsourcing the forest business unit is still high in the agenda of our principals to conclude on a proposal to outsource this function through the creation of a municipal entity. This approach is expected to yield positive results in the form of heightened efficiencies to this business which is non-core in the municipal context.

Operating Expenditure

The total budget for the salaries, wages and allowances included new positions of Sec 57 and other vacancies is budgeted at R77.3million; however, the low salary bill for most parts of the financial year has been experienced with 46.3 percent up to mid-year actual. Overtime and standby allowance costs have been drastically reduced. The major concern is the regular expenditure incurred on fleet. Every day there is breakdown taking place and no one is controlling and confirming the authenticity of these breakdowns. The cost of repairing a tyre is abnormally and extremely high with unnecessary added costs of callouts and kilometres travelled. Major concern from the employee cost is the ever rising cost of overtime and stand-by allowance, proper management controls will need to tighten to reduce the expenditure on these budget items. The recent appointment of section 57 in Technical Services and the looming appointment in Corporate Services will see a movement of actual on the salary budget for the General Managers.

Drastic analysis was performed to correct the cost per head and also identifying some of the crucial positions to be filled and thus the recent appointments of permanent staff that was on contractual or temporary basis in September 2011. An adjustment budget will address some of the crucial unfunded vacancies that existed internally in the service delivery departments.

With bulk purchase on electricity, the budget allocation R62.5million has the actual expenditure of R36.6million a concerning 58.5 percent over-expenditure, readjustment of the budget will have an impact on the current allocation and also to cater for the annual increment of the power utility (Eskom) for the proposed 30 percent estimate.

38.6 percent has been reported since the start of this financial year due to strict monitoring of repairs and maintenance. This is in line with National Treasury's appeal to reduce repairs and maintenance at municipalities, although much work is needed to renovate and repair some of the assets infrastructures at plants and boreholes. A

turnaround would be reinforced through more hand-on management of this key area of municipal service delivery.

Capital Expenditure

The goals and objectives of the Project Management Unit (PMU) within Mkhondo Local Municipality is to provide infrastructure targeting the poor, maximizing economic benefit by means of creating employment and to ensure that funds are effectively and efficiently utilized. The municipality can achieve its objectives by focusing on its backlogs as tabled by the Integrated Development Plan (IDP).

Mkhondo Local Municipality is a rural municipality and facing the following challenges:

- Lack of access to clean drinking water, some communities depends on streams and rivers which are often shared with livestock.
- Lack of sanitation services such as toilets
- Lack of proper shelter
- Lack of electricity
- Lack of proper access roads, etc.

The municipality was allocated R 48 703 000. 00 for the 2011/12 financial year for the implementation of infrastructure projects within our municipality.

On the 25th of July 2011 MIG made the first transferred of R 24 352 000.00 into the municipal account. The actual expenditure as at the end of December 2011 year-to-date was R15 529 385. 71, which reflects a percentage spent against budget of 32% on the allocated funding for the municipality.

ACTUAL EXPENDITURE YTD vs. CAPITAL BUDGET

Month	Accumulative Expenditure	Monthly Budget (Ideal)
Jul-11	R 5 037 672.16	R 4 058 583.33
Aug-11	R 1 997 515.29	R 4 058 583.33
Sep-11	R 3 589 844.62	R 4 058 583.33
Oct-11	R 91 538.56	R 4 058 583.33
Nov-11	R 3 298 155.68	R 4 058 583.33
Dec-11	R 1 514 659.40	R 4 058 583.33
Jan-12		R 4 058 583.33
Feb-12		R 4 058 583.33
Mar-12		R 4 058 583.33
Apr-12		R 4 058 583.33
May-12		R 4 058 583.33
Jun-12		R 4 058 583.33
Total	R 15 529 385.71	R 48 702 999.96

FINANCIAL PERFORMANCE

Cash Flow

The cash collections are in line with the debt collection policies which are proving to be effective. In some months, collections are higher than revenue billed for the particular month as a result of collection for prior periods. This, therefore, is in line with the assumptions that revenue of R22.6 million which relates to rates will be collected by the municipality.

<u>Cash and Cash Equivalents</u>				
(Source: Financial Statements)			1-Jul-12	31-Oct-12
Cash Book Balance			-3,010,896	4,218,662
Current Bank Account			2,807,941	2,084,802
Investments			59,407,104	41,828,077
Surplus (Deficit) for the year up until 31 October 2012 (12/13)			R	12,870,233
Accumulated Surplus	October 2012 only	(Deficit) Surplus	R	-11,919,997
Equitable Share allocated			R	41,811,000
MIG Allocation			R	11,790,000
Cash Flow		(1 July 2012 to 30 October 2012)		
Opening Balance			R	3,076,584
Plus: Receipts (Income)			R	37,109,616
Less: Payments (Expenditure)			R	35,967,538
Closing Balance			R	4,218,662
			Grant Dependency of Income and Capital Exp	
			17% Percentage	
			16% Percentage	

Bank balance as at 01/12/2012 amounted to R25,712,582.57, whilst the closing balance as at 31/12/2012 was R2,355,602.74

Debt Management

Debtors Age Analysis per category as at 31 December 2011

Government	322,993	312,442	276,920	280,948	2,163,263	0	0	0	3,356,566
Business	1,689,621	1,213,755	755,435	529,789	6,027,703	0	0	0	10,216,303
Households	2,094,522	1,652,327	1,495,547	1,493,409	39,664,951	0	0	0	46,400,756
Other	1,691,571	1,322,719	1,104,408	1,330,301	29,174,672	0	0	0	34,623,671
Total By Customer Group	5,798,707	4,501,243	3,632,310	3,634,447	77,030,589	0	0	0	94,597,296

The municipality's debtor's book shows a balance of R103.6 million as at 31 December 2012. Residential/Households are the highest contributor sitting with R46.4 million (49.1 percent). As per income source, Property rates lead by R21.3 million (22.5 percent) followed by water at R15.1million (16 percent) and Electricity and Refuse removal both share an amount of R13.8million (14.6 percent) respectively. Piet Retief is the municipality's high source of revenue. The high percentage as compared to others is as a result of the high R50 000 rebate the municipality grants to the users.

The management has drafted a submission to Council recommending an approval to write-off R35 million of its debt. Although, an amount of R16 million which relates to the rates would be collected through our Debt collectors, going forward the credit control will have to be tighter to encourage more ratepayers to do the right thing, and pay their dues to the municipality.

CREDITORS & SUPPLY CHAIN MANAGEMENT UNIT STATUS QUO

CREDITORS/ ACCOUNTS PAYABLE

This is a critical liaison section between the Municipality and the third parties in terms of paying Creditors and other parties for the service rendered. All payments needs to be paid promptly on stipulated times. Challenges experienced within this section includes, inter alia:

- Unavailability of Budget (exhaustive votes) within votes,
- Shortage of staff which leads to non-segregation of duties
- Budget is not aligned with expenditure votes, which results in unauthorized expenditure
- VIP is not interfaced with Munsoft

TURN AROUND STRATEGY

The issue of unauthorized budget regarding compensation of employees has been addressed by office of the Budget with the assistance of Treasury. The issue of operating budget not aligned with expenditure will be addressed during budget adjustment. One posts for Senior Salaries Clerk has been advertised.

SUPPLY CHAIN MANAGEMENT

The Unit is considered to be the most critical in the Directorate and the Municipality in its entirety. This Unit as a support unit to the Departments needs to be fully equipped with resources (including Human Resource or Capital). However these challenges are currently experienced and needs to be overcome to obtain optimum functionality.

- Inadequate and shortage in the support staff in demand and acquisition,
- The current staff are mainly temporary and only one permanent, this means
- There is skills shortage within the current staff,
- No dedicated Senior Manager for this function,
- Asset sub-division is under staffed as it operates with one Senior Clerk, and temporary staff that is currently assisting,
- Training with the current Financial System (Munsoft).

A prompt response to these shortcomings will definitely see an improved and efficient Unit

CHAPTER 5:

5 FUNCTIONAL AREA SERVICE DELIVERY REPORTING

5.1 INTEGRATED DEVELOPMENT PLANNING

5.1.1 INTRODUCTION

Section 25 (1) of the Local Government: Municipal Systems Act 32 of 2000 stipulates that ‘each municipal council must, within a prescribed period after its elected term, adopt a single, inclusive and strategic plan for the development of the municipality’. The Mkhondo Local Municipality has completed its 2011 - 2016 cycle of Integrated Development Plan (IDP). Therefore, this IDP represents a new cycle from 2011 to 2016 financial years.

The above section also mentions that an Integrated Development Plan has the following functions:

- (a) Links, integrates and coordinates plans and takes into account proposals for the development of the municipality;
- (b) Aligns the resources and capacity of the municipality with the implementation of the plan;
- (c) Forms the policy framework and general basis on which annual budgets must be based;
- (d) Complies with the provisions of this Chapter (chapter 5 of the above Act); and
- (e) Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.

Section 34 of the Systems Act further requires that a municipality must review its IDP annually based on the assessment of its performance measurement and the extent that changing circumstances so demand.

Mkhondo IDP Review for 2011-2012 was adopted in June 2011. The approved IDP provided guidance on the implementation of strategic objectives of the municipality, namely:

- Objective one:

To provide adequate, sustainable service delivery infrastructure

- Objective two:

To provide effective, affordable and accessible community services to all

- Objective three:

To provide safety and security services to the communities of Mkhondo

- Objective five:

To ensure sound corporate governance

5.1.2 THE 2011/2012 IDP REVIEW PROCESS

In order to review the IDP for 2011-2012, the IDP process plan was adopted by Council in August 2011. It the IDP Review of 2011-2012 followed this set process encapsulated in the adopted process plan – as it is required by the Municipal Systems Act of 2000.

Although the Municipality had some challenges of resignation of the Senior Manager IDP/LED & Tourism in January 2012. The process started with public consultation meetings in all the 19 wards of the municipality, which had to take place 01 November 2011 and March – April 2012. A community participation report was compiled, containing all the important needs and priorities for development of all the wards. The IDP also included programmes and projects implemented by other stakeholders, primarily provincial departments. Notable was the Comprehensive Rural Development Programme (CRDP) led by the Office of the Premier.

5.1.3 INSTITUTIONAL ARRANGEMENTS, THEIR ROLES AND RESPONSIBILITIES

IDP Steering Committee

The municipality had an IDP Steering Committee as stipulated by the Municipal Systems Act, the municipality should have a vibrant and active committee to scrutinize all developmental needs of the municipality and hence prioritize upon. The IDP manager is an official of the municipality assigned the responsibility of championing the IDP process. The main functions are management and coordination of the preparation of the IDP process.

A Steering Committee is instituted to act as an internal technical support team to the IDP Representative Forum, the Municipal Manager and the IDP Manager. The steering committee comprised of the following:

- Municipal Manager
- IDP Manager
- General Managers
- Technical Services
- Community Services
- Financial Services
- Corporate Services
- Town Planning
- Project Management Unit
- Human Settlements

This Steering Committee should be reconstituted for each review cycle of the IDP.

5.2 IDP REPRESENTATIVE FORUM

The IDP Representative Forum (IDP Rep Forum) is constituted as part of the preparation phase of the IDP and will continue its functions throughout the annual IDP Review process. The composition of the IDP Rep Forum is as follows:

- Executive Mayor
- Members of the Mayoral Committee
- Municipal Manager
- General Managers
- Senior Manager IDP
- Traditional Authority
- Ward Councillors
- Ward Committees
- Community Development Workers
- HODs for departments within Mkhondo Municipality
- Regional representatives of the National & Provincial departments

- Parastatal Representatives Kangra Coal (Pty) Ltd, Mondi, SAPPi, PG Bison, Eskom, TWK etc.
- Representatives from CBOs, NGOs and Business Forum
- Representatives from Religious organizations
- Political Parties participating in the Council
- Representative for People with Disabilities
- Business Chamber

The table below reflects different roles played by different stakeholders:

Roles played by the respective stakeholder:

ROLE PLAYER	ROLES & RESPONSIBILITIES
COUNCIL	<ul style="list-style-type: none"> • Final decision – making, and • Approval of the IDP documentation including the process followed thereto.
Executive Mayor and Mayoral Committee	<ul style="list-style-type: none"> • Decision on the process plan for IDP Review • Overall management, co-ordination, monitoring of the review process and may assign some responsibilities to the municipal manager • Submit reviewed IDP Framework and draft IDP to council • Develop terms and criteria for the Representative Forum

Municipal Manager	<ul style="list-style-type: none"> • Guides the planning process • Monitors the process • Overall management and co-ordination
IDP Steering Committee	<ul style="list-style-type: none"> • Process Plan management • Provide the information required to the IDP Process • Meaningful participation in the public participation process through presentations and reporting on progress made on the implementation of projects • Liaison with the external stakeholders • Allocation of duties and monitoring • Decision on roles and responsibilities • Identification of stakeholders in consultation with other role players • Manage draft action programme • Commission research studies and recommend appointment of service providers
IDP Rep Forum	<ul style="list-style-type: none"> • Represent the municipality's constituency in the IDP process • Provide an organizational mechanism for discussion, negotiation and decision making between the stakeholders inclusive of municipal government • Analyze issues, determine priorities, negotiate and reach consensus • Make recommendations on planning issues to the municipal council • Monitor the performance of the planning and implementation process

5.3 INTEGRATED DEVELOPMENT PLANNING

Integrated Development planning process

IDP approved by Council and implemented	Is the approved IDP seen as the single, inclusive and strategic plan for the municipality	Does the IDP include all core components (MSA)	Were community needs prioritized at ward level	as the SDF approved (date) prior to IDP approval by Council	Were sectoral plans prepared and included in the IDP (Names / #)	Was the IDP prepared within set timeframes
Yes	Yes	Yes ,beside few sector plans such as LUMS; Comprehensive Infrastructure Plan, Water Sector Development Plan, LED strategy	Yes	No, the municipality did not have the SDF/LUMS of its own, instead it used the SDF of the District, but no LUMS	Yes, beside those that are mentioned in the third column	Yes

5.4 PROJECT MANAGEMENT UNIT (PMU)

5.4.1.1 MIG ALLOCATION FOR 2010/11 FY

Mkhondo Local Municipality received an allocation amount of R 48,703,000.00 for the 2011/12 financial year for the implementation of infrastructure projects. The expenditure as at the end of June 2012 was R 35 675 411.95, which interprets to 73.25% of the allocated funding for the municipality.

5.4.1.2 BUDGETED

The following were budget figures against the list of MIG registered project during 2010/11 financial year:

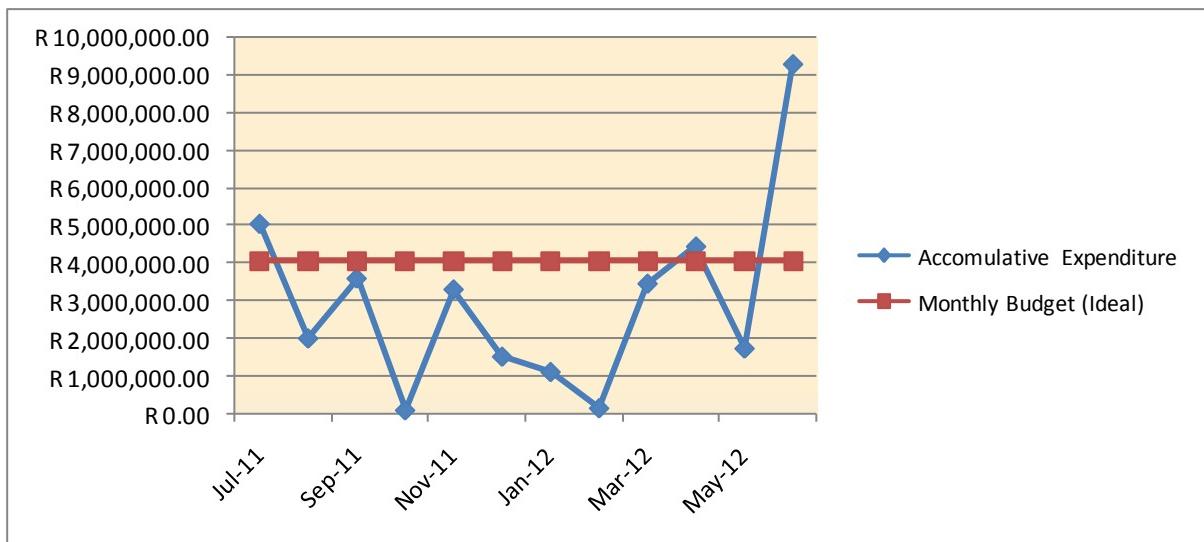
National Project Number	Project Name (incl. Sub-Place)	A	D	E	F	G	G	H
		Total Project Cost (B+C)	Total Actual Expenditure on Previous Allocations	Balance remaining on project (A - D)	Budgeted MIG Funds (2011-2012) Financial Year	Total Actual Expenditure (2011-2012) financial year on MIG funds	Budget for Roll-over from (2010/2011) FY	Expenditure on Roll-over from 2010/2011 FY
MIG/MP044 9/W/03/12	Construction of Bulk Water Supply Kwangema	R 26,006,465.00	R 26,098,597.42	R -92,132.42	R -20,900,000.00	R -	R -	R -
MIG/MP066 8/W/07/10	Installation of Water Reticulation in eThandukukhanya Ext 6 & 8	R 20,056,052.32	R 2,036,314.53	R 18,019,737.79	R 100,000.00	R 58,897.86	R -	R -
MIG/MP006 69/S/07/09	Extention of Piet Retief WWTW	R 37,606,169.90	R 3,422,020.81	R 34,184,149.09	R 7,069,351.95	R 366,691.97	R -	R -
MIG/MP006 67/S/07/08	Nkonjaneni Water Borne Sanitation	R 13,979,145.00	R 7,244,718.22	R 6,734,426.78	R 7,254,880.00	R -	R 6,404,315.58	R 5,770,298.17
MIG/MP110 2/S/11/14	Installation of VIP Toilets	R 45,402,274.08	R -	R 45,402,274.08	R 10,000,000.00	R 2,188,801.74	R 9,000,000.00	R 8,337,645.43

MIG/MP108 8/CL/11/13	Installation of High Mast Lights	R 20,528,372.08	R -	R 20,528,372.08	R 4,800,700.00	R 1,622,020.32	R 3,025,302.32	R 3,178,583.52
MIG/MP057 0/R,ST/07/1 1	Bus and Taxi Route in kwaThandeka	R 27,500,000.00	R 22,753,898.42	R 4,746,101.58	R 11,116,514.87	R 6,265,953.83	R 116,514.87	R 850,561.03
MIG/MP057 1/R,ST/07/1 1	Bus and Taxi Route in eThandukukhanya	R 40,557,000.00	R 30,012,489.59	R 10,544,510.41	R 24,900,000.00	R 22,834,069.4 9	R 1,940,074.46	R 2,349,119.08
MIG/MP110 1/F/11/14	Fencing of Municipal Infrastructure	R 8,557,966.00	R -	R 8,557,966.00	R 2,000,000.00	R 958,505.72	R -	R -
	PMU Management	R 1,619,800.00	R -	R 1,619,800.00	R 1,948,120.00	R 1,380,470.02	R -	R -
MIG/MP049 /W/06/08	Upgrading of main bulk supply pipeline in Piet Retief	R 9,260,000.00	R 5,829,655.70	R 3,430,344.30	R 413,792.76	R -	R 413,792.77	R 413,792.77
		R 251,073,244.38	R 97,397,694.69	R 153,675,549.69	R 48,703,359.58	R 35,675,410.9 5	R 20,900,000.00	R 20,900,000.00

5.4.1.3 EXPENDITURE

Month	Projected Cash	Expenditure
July 2011	R 4,058,583.33	R 38,947.64
August 2011	R 4,058,583.33	R 519,570.59
September 2011	R 4,058,583.33	R 1,814,578.31
October 2011	R 4,058,583.33	R 287,573.09
November 2011	R 4,058,583.33	R 243,349.24
December 2011	R 4,058,583.33	R 377,779.52
January 2012	R 4,058,583.33	R 1,075,344.42
February 2012	R 4,058,583.33	R 1,360,593.69
March 2012	R 4,058,583.33	R 139,108.86
April 2012	R 4,058,583.33	R 2,366,066.96
May 2012	R 4,058,583.33	R 3,480,652.85
June 2012	R 4,058,583.33	R 2,717,963.38
Total	R 48,702,999.96	R 14,421,528.55

The graph below indicate the expenditure paten for the 2011/12 Financial Year



5.5 BASIC SERVICE DELIVERY AND PERFORMANCE HIGHLIGHTS

This section gives highlights of the performance of the four departments during 2011/12. The report covers the four divisions within the department which are:

- Project Management Unit
- Water and Sanitation Division
- Roads and Stormwater Division
- Electrical Division

The report aims to give an overview of what activities were carried out during the financial year under review. The development of infrastructure projects are all managed by Project Management Unit (Units) and all other division are mainly focused on operations and maintenance of infrastructure.

5.5.1 WATER AND SANITATION DIVISION

Mkhondo LM has basically four water supply schemes across the jurisdiction area of Mkhondo lm, namely:

- Amsterdam water scheme,
- Driefontein water scheme,
- Piet Retief water scheme and
- Rural Water supply scheme

5.5.1.1 AMSTERDAM WATER SCHEME

5.5.1.1.1 PURIFIED WATER SUPPLIED TO AMSTERDAM COMMUNITY

The Amsterdam Water Treatment Plant is located on the north eastern side of the town. Raw water is abstracted from the Dorps Dam on the Thole River.

The plant is serving a present population of approximately 9 427 residents with an estimated water demand of 2 373 kl/day. The existing plant was recently extended to 6 300 kl/day.

2,208,250 kl of purified water was pumped to the community of Amsterdam and the surrounding during the financial year 2011/2012.

5.5.1.1.2 WATER NETWORK/RETICULATION SYSTEM

The network for both sewer and water comprised of approximately 146Km of pipelines is maintained by the maintenance team (Plumbers).

During the previous financial year (2011/2012), 5630 Complaints related to water leaks, sewer blockages were repaired 185 and 28 households were connected with water and sewer respectively.

5.5.1.2 PIET RETIEF WATER SUPPLY SCHEME

5.5.1.2.1 PURIFIED WATER SUPPLIED TO PIET RETIEF COMMUNITY

Piet Retief water supply scheme consist of two water treatment plants with a combined capacity of 12.4Ml/day. Both water treatment plants are situated on the banks of the Assegai River, from where raw water is abstracted for treatment. The treatment plants serves a community of approximately 45 000 residents.

Approximately 3, 575, 540kl of treated clean water was made available to the community of Piet Retief and the surroundings for consumption.

5.5.1.2.2 WATER NETWORK/RETICULATION SYSTEM

The network for both sewer and water comprised of approximately 244Km of pipelines is maintained by the maintenance team (Plumbers).

During the previous financial year (2011/2012) 8 600 Complaints related to water leaks, sewer blockages were repaired, 352 and 44 households were connected with water and sewer respectively.

5.5.1.3 DRIEFONTEIN WATER SUPPLY SCHEME

5.5.1.3.1 PURIFIED WATER SUPPLIED TO DRIEFONTEIN COMMUNITY

Driefontein water supply scheme consist of one water treatment plant which receives raw water from the Heyshope Dam and is located towards the south west of the dam. The plant has a capacity of 7 500 kl/day and provides water to the communities of kwaNgema North and Driefontein with an estimated population of approximately 33 220 and a current water demand of approximately 4 328 kl/day.

2, 463, 750kl of purified water was supplied to the community of Driefontein and the surroundings during the financial year 2011/2012.

5.5.1.3.2 WATER NETWORK/RETICULATION SYSTEM

The network for water comprised of approximately 168Km of pipelines is maintained by the maintenance team (Plumbers).

During the previous financial year (2011/2012), 3120 complaints related to water leaks were repaired 161 households were connected with water.

5.5.1.4 RURAL WATER SUPPLY SCHEME

Mkhondo LM uses several methods in supplying the rural villages within the Mkhondo jurisdiction area which are:

- Boreholes and
- Water tankers

5.5.1.4.1 BOREHOLES

Approximately 365 boreholes are operated and serviced by our borehole maintenance team. Approximately 2320 complaints related to mechanical faulty were repaired. Approximately 640 000kl of drinking water were made available to rural villages for consumption during the financial year 2011/2012.

5.5.1.4.2 WATER TANKERS

The municipality has four water tankers that supplies water to 75 rural villages. Approximately 37 350kl of drinking water was supplied to the rural villages across Mkhondo area during the financial year 2011/2012.

5.5.1.5 DRINKING WATER QUALITY

The municipality has tightened its water quality monitoring programme by entering into annual contract with GSMD Water Testing Laboratory for monthly compliance monitoring of drinking water samples collected across Mkhondo LM (i.e. sampling area coverage is approximately 80% of Mkhondo Jurisdiction area). The municipality has also established its own water testing laboratory for operational purpose.

5.5.1.5.1 WATER QUALITY OVERVIEW

During the 2011/2012, over two hundred and seventy (270) water samples were taken. The samples were taken from different positions of water supply schemes which include the treatment plants, reservoirs, household taps and boreholes and over 4860 analysis were undertaken from those samples.

Only four (4) sample points failed to comply with class I of SANS 241:2006 and the other 266 samples complied with Class I of SANS 241 and thus equates to over 99% compliance.

Acceptable (Green)	266 sample points or 99% compliance
Needs attention (Yellow)	4 sample points
Failure Aesthetic (Orange)	0 sample points
Failure health Max (Red)	0 sample points

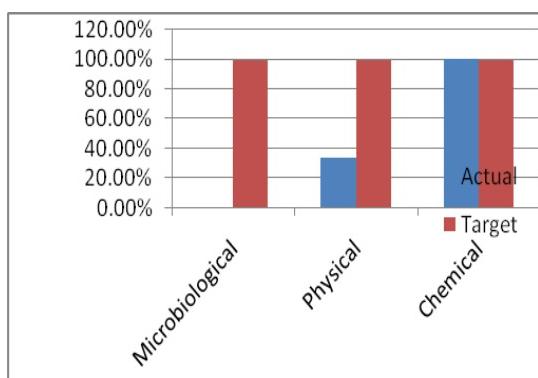
The sample points that needs attention, marked yellow (i.e. failed to comply with Class I of SANS 241:2006) falls within the Rural water supply schemes in Rustplaast and Thokozani area and the caused being the poor sanitation systems in those rural nodes.

5.5.1.5.2 WASTE WATER QUALITY OVERVIEW

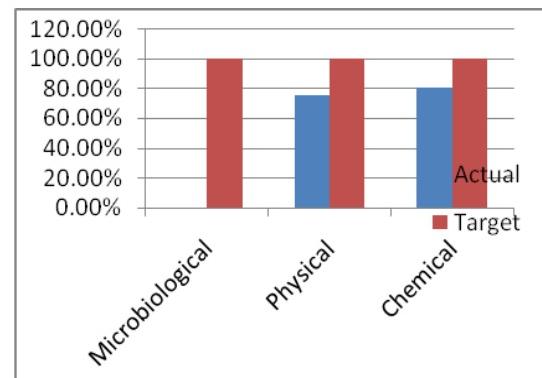
The municipality is unfortunately facing some infrastructural challenges which are ultimately the main cause for the underperformance in terms of Wastewater quality compliance. Amsterdam Wastewater Treatment Works has been a victim of vandalism and theft since its inception meanwhile Piet Retief Wastewater Treatment Works has most of the mechanical equipments that has passed economic life, in addition the plant operates beyond its design capacity.

Over 207 analyses were conducted on the effluent of both Piet Retief and Amsterdam Waste Water Treatment Works, since the inception of agreement between Mkhondo Local Municipality and Gert Sibande District Municipality Water Testing Laboratory in September 2011 for both Amsterdam and Piet Retief Wastewater Treatment Works and the results are as follows:

Amsterdam Waste water Treatment

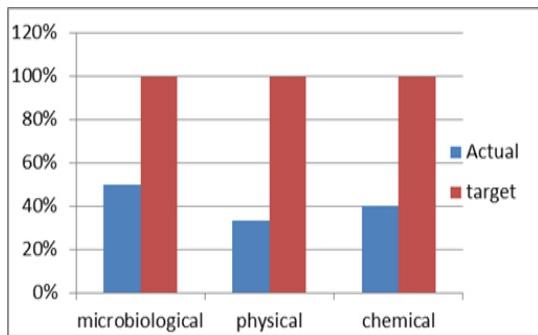


September 2011

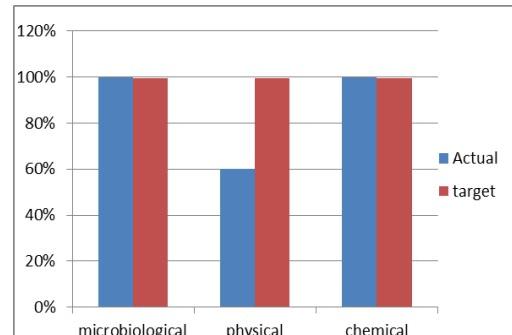


April 2012

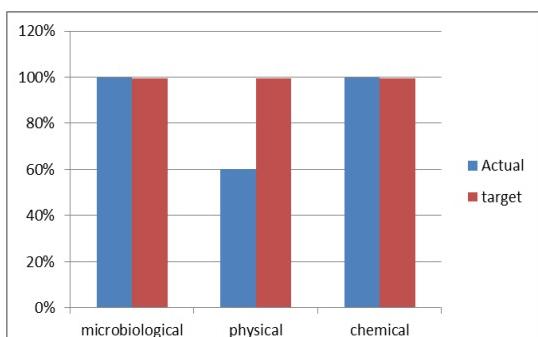
Piet Retief Waste water Treatment



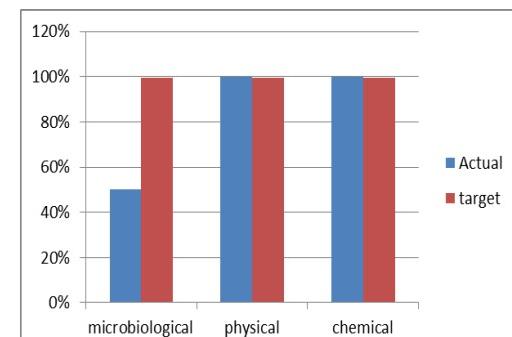
October 2011



January 2012



March 2012



May 2012

5.5.2 ROADS AND STORM WATER DIVISON

The division focuses on maintenance of roads/streets, construction and maintenance of storm water drainages and also offers assistance in digging of graves at the cemeteries and grading of sports fields. During the year under review the Roads &Storm water division also faced with many challenges which the greatest challenges has been lack of Small Construction Plant and tools.

5.5.2.1 ROADS/STREETS RE-GRAVELLING & GRADING

A total of 372 Kilometers of gravel streets were re-gravelled or graded.

Pavement and walk ways were leveled and repairs done all throughout Mkhondo Municipality areas for the year under review

5.5.2.2 PATCH WORK

The patching of potholes continued all throughout the year under review and quantities were not recorded.

5.5.2.3 STORM WATER

Numerous storm water systems were reopened throughout the year under review.

5.5.2.4 CEMETERIES

A total of 305 graves were prepared in cemeteries around Mkhondo Local Municipality. 346 slabs were casted.

The divisions also assisted with mass refuse removal and also during cleaning up campaigns that were held including the daily of the refuse dump site.

5.5.2.5 SPORT FIELDS

A total of 13 Sports fields were leveled and graded

5.5.3 ELECTRICAL DIVISION

5.5.3.1 ELECTRICAL NETWORK

5.5.3.1.1 STREET-LIGHTS

Fitting Replaced	Pole Replaced	Streetlights Installed
20 X Piet Retief	7x Piet Retief	30
15 x Amsterdam	10x Amsterdam	0

5.5.3.1.2 NETWORK

5.5.3.1.3 HIGH TENSION FAULTS

Type Of Fault	No. Of Faults
Lightning	12
Cable	6
Eskom	3
Line faults	130
Transformer	5
Substations	2
Mini Substation	8
T3 Switches	4

5.5.3.1.4 LOW TENSION FAULTS

Type Of Fault	No. Of Faults
Cable faults	180
Line failure	87
C B failure	11
Lightning	5
Malicious	82

5.5.3.1.5 NEW CONNECTIONS

Town	Household	Business
Amsterdam	6	4
Piet Retief	300	8
Eskom license area	340	0

5.5.3.1.6 PREPAID CONNECTIONS

Town	Household	Business
Piet Retief	800	60
Amsterdam	600	30

5.5.3.1.7 METER AUDITS

Town	No. of Audit's	Found Correct	Tempered With
Piet Retief	1250	1074	176(illegal connections)
Amsterdam	208		108

5.5.3.2 CHALLENGES

CONDITION OF OUR MAIN-SUBSTATION/ CHALLENGES

- The two transformers in our main substation (next to water side) are overloaded such that if one can fail we will not be able to supply all our clients (can only supply some/ few).
- The Substation in Amsterdam needs to be maintained
- Old infrastructure (transformers, high voltage cables, T3 switches, mini-subs, overhead lines) needs to be replaced gradually.
- Large meter users needs be atomized.
- Ageing fleet

5.5.3.3 ELECTRICAL COMPLAINTS

Month	Piet Retief	Amsterdam
JUNE	84	30
JULY	62	15
AUGUST	44	20
SEPTEMBER	84	21
OCTOBER	168	80
NOVEMBER	121	50
DECEMBER	128	45
JANUARY	108	47
FEBRUARY	175	106
MARCH	106	57
APRIL	120	60
MAY	80	30
JUNE	65	26
JULY	85	47

5.5.3.4 MAJOR WORK ACHIEVED

- We were able to maintain 195 transformers serviced
- We serviced 65 high voltage breakers..

5.6 TOWN PLANNING AND HUMAN SETTLEMENTS DIVISION

5.6.1 TOWN PLANNING

Type of Development	Number of applications Received	Number of Approvals	Number of disapprovals	Outstanding
Rezoning Applications	25	05	-	25
Subdivisions	12	02	-	10
Consent use	05	03	-	02
Township establishments	02	02	-	-

5.6.1.1 NARRATIVE

Of the twenty five (25) outstanding rezoning applications, some were received in the previous financial year. Land Use Management Committee was established and trained towards the end of the previous financial year. The Committee started considering applications and will gain momentum in the next financial year.

5.6.1.2 ACHIEVEMENTS AND CHALLENGES

Achievements	Challenges
3 Townships are in the process of being established.	There is a shortage of Infrastructure, i.e. Water, Sewer & Electricity, which puts restrictions on the growth of the areas.
A consultant was appointed to compile a wall-to-wall Land Use Management Scheme	There are no funds to formulate a Localized Spatial Development Framework to guide the growth of the urban areas.
Establishment of a functional Land Use Management Committee	None
A sale of 93 residential sites to community members at Piet Retief Ext. 7 (Group 10)	The process of allocating sites to community members is slow

5.6.2 HUMAN SETTLEMENTS

Construction of RDP houses is the competency of the Provincial Department of Human Settlements. The role of the Municipality is provision of land and identification of beneficiaries.

Area	Contractor's Name	Complete Houses
Donkerhoek	MRTT	62
Mangosuthu	Deebo	249
Maphepheni	Nkomotabo	150
Maphepheni	Taulamela	150
Jabulani Agri Village	MRTT	34
Dirkiesdorp	Likhono Construction	25
TOTAL		670 Houses
No of Beneficiaries		2, 546 Beneficiaries assisted

5.6.2.1 ACHIEVEMENTS AND CHALLENGES

Achievements	Challenges
More houses built compared to the previous financial year.	A certain portion of land earmarked for development was invaded and invaders are reluctant to relocate.
XXX individual beneficiaries benefited	Inability to deal with the misallocation that took place in the past.
Eradication of the Mangosuthu informal settlement was successful	Services are not installed Deebo Construction abandoned the site due to issues with the Department of Human Settlements

5.6.3 BUILDING CONTROL

	Received	Approved	Disapproved	Outstanding
Residential	57	44	11	01
Commercial	02	02	-	01
Industrial	06	03	03	-
Cellular Mast Infrastructure	04	04	-	-
Total	69	53	14	02

5.6.3.1 NARRATION

There was a challenge in monitoring of illegal buildings due to shortage of personnel and other tools of trade.

5.7 COMMUNITY SERVICES DEPARTMENT

5.7.1 SOLID WASTE

- Refuse removal is collected once a week per section in residential areas (Thandakukhanya, Retiefville, Kempville, Harmony Park, Piet Retief and Amsterdam)
- Refuse (Mass Containers) collected on daily basis in the CBD
- Refuse containers collected in residential areas on regular basis (street corners and public open spaces)
- Heaps of waste removed from “hot spots” (illegal dumping sites)-street corners and public open spaces on daily basis, with assistance from technical department
- Landfill site, the operation of the site is in line with the minimum requirements set up by the department of environmental affairs, with regards to waste management.
- The waste cleaning-up campaign was done in ward 7 and 16 with the executive mayor and clrs.
- COGTA, and CWP programmes assisted us a great deal with cleaning the residential areas and turning illegal dumping spots into parks and/or gardens (9 illegal dumping spots were turned into parks and/or gardens at ward, 10 we changed 2,11 changed 1, 12 changed 2, 13 changed 5)
- We received 2 compactor trucks from the Gert Sibande district municipality and COGTA Mpumalanga province.

5.7.2 PARKS

- Planted new trees and shrubs in the gardens that are at the entrance of the township and also the CBD
- Tree planting with the executive mayor and Councillors in some schools (Harmony Park combined school and Imizamoyethu primary school)
- Grass cutting of public open space, sport grounds, parks and cemeteries
- Nursery re-establishment was completed; on the job training for the parks and garden team was done by DEDET(Amsterdam and Barberton environmental center).Vegetable seedlings, flowers and trees are being grown in the nursery.

5.7.3 FORESTRY

- Revenue collected of an estimated income of R7m by selling of trees(Pine and Gum)
- Harvesting: P630, P667, G254, G866
- Minor silviculture was done in the plantation i.e. maintenance
- Fire fighting in the plantations was done successfully, no major fires were experienced and no claims done of fire damage from neighboring farms.
- Re-establishment of harvested plantation is important to ensure that the business is sustained

5.7.4 SPORT

- Revival of interdepartmental football games from different stakeholders participating.
- As part of social cohesion, Municipality partnered with Mondi to organize games for a number of teams.
- Municipality-Mondi Rural Football League is held annually.
- Re-launched of the sports council was successfully implemented
- Maintenance of sports facilities were properly managed.
- Municipality won first prize in the local interdepartmental sport meeting on soccer and netball

5.7.5 LIBRARY

- Successfully hosted the Fundza fun run program during the month of Octobers/Novemeber
- World book Day-story sessions for the aged and pre-scholars
- Reading material

Description	Number
Readers	4967
Enrolment	33
Books borrowed to public	6130
Average book out	165
Income received	R 645

5.8 PUBLIC SAFETY

5.8.1 LICENSING

- Currently the Licensing unit is operating with one supervisor and the other supervisor position and a Chief License Officer is currently vacant.
- The culture and discipline in the Licensing office is in order. We have standing orders, contracts signed to Department of Community Safety Security and Liaison.
- The previous challenge in the section was the unavailability of Trade Officer to deal with business licenses and as off now the municipality is in the process to fill the position permanently.
- There is however need to have a proper Radio system and specific channel for Traffic unit to be able to solve communication problems within the deferent units(Fire and Licensing units), and the department is underway in terms of exploring the system that will be convenient for this purpose .
- The Traffic Office Section and Disaster Management section continued to provide services as required by the community.

The income statement for public Safety for the year under review is as follows:

MONTH	RTMC FEES	PRODIBA	PROVINCE
JULY 2010	R 56 124 -00	R 27 000,00	R 923 0003,68
AUGUST 2011	R 65 592,00	R 29 325,00	R 1282 964,19
SEPTEMBER 2011		R 45 000,00	R 1037014,12
OCTOBER 2011			R 944 808,04
NOVEMBER 2011			R 1089953.00
DECEMBER 2011			R803 069.57
JANUARY 2012			R1169542,48
FEBRUARY 2012	R61344,00		R833 917,72
MARCH 2012	R 67968,00	R 17475,00	R1248921.88
APRIL 2012	R51120,00	R5788,00	R883049.84
MAY 2012	R63828,00	R5329,00	R1223226,50
JUNE 2012	R55656,00	R30535,00	R1013295,65

TRAFFIC

TOTAL SUMMONS ISSUED	TO TAL SUMMONS ISSUED	SUMMONS PAID	DEPT.OF JUSTICE	ADNORMAL FEES	ACCIDENTS REPORTS	FIRE PERMITS
JULY 2011	756	R 68 800,00	R 10 900,00	R 25 500,00		
AUGUST 2011	788	R 70 950,00	R 20 000,00	R 18 000,00	R 750 00,00	
SEPTEMBER 2012	706	R 64 400,00	R 9650,00	R 54 750,00	R 875,00	
OCTOBER 2011	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS
NOVEMBER 2011	486	R 65 200,00	R 7400,00	R 29 250,00		R 50,00
DECEMBER 2011	879	R 23 900,00	R 21 200,00	R 27 900,00		R 100,00
JANUARY 2012	792	R 40 300,00	R 5 300,00	R 22 500,00		R 100,00
FEBRUARY 2012	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS
MARCH 2012	755	R70 903,00	R6 200,00	R 33 000,00		R 100,00
APRIL 2012	516	R 46 400,00	R4 650,00	R 47 250,00		
MAY 2012	588	R 55 300,00	R 8600,00	R37 500,00		
JUNE 2012	792	R 63 830	R 9500,00	R 44 250,00		

ACCIDENT	NUMBER
Motor Vehicles	105
Heavy Motor Vehicles	0
Cyclist	0
Pedestrian	10
Hit and run	0
ACIDENT	NUMBER
Special Duties	11
Drownings	3
Total	129
Deceased	23
Serious Injuries	45
Slight Injuries	105
FIREs	
Building	13
Field	14
Vehicles	2
Other	1
Plantations	2

Bin	0
Total	32
INSPECTIONS	
Shops	9
Houses	17
Factories	0
Other	0
Total	26

DISASTER MANAGEMENT

During this frame 0 sails were handed out

During this time frame 320 frame blankets were handed out

During this time frame 8 tents were handed out

6 ANNEXURES: QUATERLY REPORTS

- 6.1 FINANCIAL SERVICES DEPARTMENT
- 6.2 COPORATE SERVICES DEPARTMENT
- 6.3 TECHNICAL SERVICES DEPARTMENT
- 6.4 COMMUNITY SERVICES DEPARTMENT